

WASHINGTON STATE CONSERVATION COMMISSION

WSCC POLICY No. 05-05 COMM

CONSERVATION DISTRICT AUDITS

GENERAL TOPIC: **Conservation Commission payment of appropriate costs of conservation district audits**

APPROVED: May 18, 2005

EFFECTIVE PERIOD: July 1, 2005 through June 30, 2007

PURPOSE

This policy defines how costs for audits of conservations that exceed budgeted amounts will be handled by the Conservation Commission.

BACKGROUND

For the purposes of statewide efficiency and audit effectiveness, the Conservation Commission works closely with the State Auditor to coordinate audits of conservation districts. Rather than have each conservation district negotiate an audit cost payment agreement with the State Auditor for every audit, the Conservation Commission and the State Auditor periodically develop a statewide audit schedule and budget.

The audit schedule and budget are based on an assumption that no unusual or unexpected conditions will be found at audit. For several years, the Conservation Commission and State Auditor have been working cooperatively to detect and correct audit deficiencies in conservation districts. In the 2003-2005 biennium, this work resulted in several audits with higher costs than anticipated. The Conservation Commission expects this trend to reverse in the 2005-2007 biennium.

Each conservation district is responsible for complying with laws and regulations governing proper governmental operations and management of public assets. The Conservation Commission also has a duty to promulgate standard practices and monitor the management of assets by conservation districts per RCW 89.08.070(5) and (12).

RCW 89.08.070 General duties of commission.

In addition to the duties and powers hereinafter conferred upon the commission, it shall have the following duties and powers:

(5) ...to issue regulations establishing guidelines and suitable controls to govern the use by conservation districts of such funds, property and services; and to review all budgets, administrative procedures and operations of such districts and advise the districts concerning their conformance with applicable laws and regulations.

(12) To establish by regulations, with the assistance and advice of the state auditor's office, adequate and reasonably uniform accounting and auditing procedures which

Conservation districts can help control the cost of audits by:

- following sound management practices;
- complying with published rules and regulations;
- working constructively with auditors; and
- remaining aware of the true cost of their audits.

In January 2004, the Conservation Commission recognized the need to assist conservation districts with unanticipated audit costs. Prior to this, the Conservation Commission did not have a standard methodology for assisting with costs that exceeded budgeted amounts, and actual practice varied. The motion approved at the January 15, 2004 regular meeting of the Conservation Commission was *“...to approve the staff recommendation to pay the budgeted costs and any overage costs will be split between the district and the Commission for the remainder of the 2003-05 biennium. The Commission will reexamine the issue for the 2005-07 biennium...”*

POLICY

This policy applies only to audits performed by the State Auditor’s Office.

For the purposes of this policy, three types of audit are recognized: regular, single, and fraud:

- a regular audit is one that is periodically scheduled by the State Auditor to assure local compliance with financial and governmental standards;
- a single audit is one performed by the State Auditor when federal grant funds of \$500,000 or more are expended in a calendar year; and
- a fraud audit occurs based on complaints from whistleblowers and others, or from evidence of potential fraud, misuse of public assets, or misappropriation of public funds.

In the event of a regular audit of a conservation district that exceeds the amount agreed upon by the Conservation Commission and State Auditor, the Conservation Commission will split unanticipated audit costs with the affected conservation district, if the Conservation Commission has sufficient funding available for that purpose.

The Conservation Commission will not pay for the costs of a federal single audit. Conservation districts should include an estimate of such audit costs in their federal grant.

The Conservation Commission may pay for all or part of a fraud audit if the cost of the fraud investigation/audit may substantially impair the ability of the conservation district to continue to deliver an effective local conservation program. However, proper management of conservation district operations is the responsibility of the district board, and findings of fraud or misappropriation are therefore preventable. Requests for payment of fraud audit costs must be made in person by a representative of the district Board to the Conservation Commission at a regular or special meeting of the Commission governing board.

PROCEDURE

The Conservation Commission will continue to coordinate the development of a statewide audit schedule and budget with the State Auditor. Conservation Commission staff will meet regularly with representatives of the State Auditor's Office for this purpose.

By previous agreement with the State Auditor, invoices for district audits are sent directly to conservation districts by the State Auditor. Conservation districts shall review audit invoices and the district board shall request by letter that the Conservation Commission pay for appropriate audit costs.

Conservation Commission staff will review and approve requests for payment of audit costs when such costs are within the budgeted amount for that conservation district, and when the request is signed by a representative of the district board. The district will be notified by letter of such approval. All other situations will result in additional communications with Conservation Commission staff to clarify proper procedures. Failure to follow these procedures will result in non-payment of the audit invoice.

If, upon review, audit costs are found to relate to federal single audits, a letter denying payment will be sent to the district.

When audit costs are related to a real or potential case of fraud, misuse of public assets, or misappropriation of public funds, Conservation Commission staff will assist the conservation district in following the proper procedure for requesting Commission financial assistance. An initial determination will be drafted by Conservation Commission staff, describing the degree to which the fraud or misappropriation situation was detectable and preventable/correctable by the district. The Conservation Commission will review the initial determination, interview one or more representatives of the affected district – including at least one board member – and may then choose to pay for all, some, or none of the fraud-related audit costs.

EFFECTIVE PERIOD

This policy is effective for audit costs incurred during the 2005-2007 state biennium, from July 1, 2005 through June 30, 2007, and may be changed or terminated by the Conservation Commission governing board at any time without notice.